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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the financial performance of the United Nations Iraq-Kuwait Observation Mission (UNIKOM) for the period from 1 July 1998 to 30 June 1999 (A/54/709) and the proposed budget for the maintenance of the Mission for the 12-month period from 1 July 2000 to 30 June 2001 (A/54/736). During its consideration of the reports, the Committee met with representatives of the Secretary-General, including the Chief Administrative Officer, who provided additional information and clarifications.

2. The Advisory Committee recalls the provisions of General Assembly resolution 54/18 of 29 October 1999, in which the Assembly requested the Board of Auditors to undertake a comprehensive audit of UNIKOM, in particular the question of payment of mission subsistence allowance, as a matter of priority, and requested the Secretary-General to submit a comprehensive report on the question within a period not exceeding three months following the adoption of the resolution, for consideration during the first part of its resumed fifty-fourth session. The representatives of the Secretary-General informed the Committee that the report of the Board of Auditors was expected to be completed in May 2000. The Secretariat would prepare its report thereafter, taking into account the findings of the Board. **The Committee trusts that the report will be submitted as soon as possible, taking into account the outcome of the judiciary process as referred to in paragraph 5 of the report of the Committee dated 29 September 1999 (A/54/418).**

Financial performance for the period from 1 July 1998 to 30 June 1999

3. As indicated in paragraph 3 of the report of the Secretary-General (A/54/709), the amount approved by the General Assembly for the maintenance of UNIKOM for the period from 1 July 1998 to 30 June 1999 was $52,143,800 gross ($50,255,600 net), inclusive of $2,618,400 for the support account for peacekeeping operations. Taking into account the two-thirds share of the net amount (that is, exclusive of the

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support account), equivalent to $33,503,700, to be funded through voluntary contributions from the Government of Kuwait, an amount of $18,640,100 gross ($16,751,900 net) was assessed on Member States.

4. Expenditure for the period totalled $49,960,900 gross ($48,323,700 net), resulting in an unencumbered balance of $2,182,900 gross ($1,931,900 net) or, in gross terms, some 4 per cent of the appropriation. As indicated in the report of the Secretary-General, the unencumbered balance resulted mainly from lower travel costs for military observers, a higher vacancy rate for civilian personnel than originally estimated, reduced air operations requirements and the early termination of the contract for the fixed-wing aircraft owing to the closure of Iraqi airspace.

5. The Advisory Committee was informed that troop-cost reimbursement up to 30 April 1999 totalled $70.5 million, while the amount owed for the period from 1 May 1999 to 31 January 2000 was $8.9 million. With regard to contingent-owned equipment, the Committee was informed that, as at 31 December 1999, an amount of $4.3 million had been reimbursed and the amount owed was $5.4 million, while unliquidated obligations in respect of contingent-owned equipment totalled $2.9 million. In respect of death and disability compensation, $504,304 had been paid as at 31 December 1999 for 21 claims, leaving a balance of $1,410,700 in unliquidated obligations and 12 pending claims.

6. As indicated in paragraph 6 of the report, the unutilized balance of $1,453,400 under civilian personnel resulted from higher vacancy rates for international and local staff than originally estimated. While the budget estimates provided for a vacancy factor of 5 per cent for the authorized staffing of 72 international and 166 local posts, the actual vacancy rates during the reporting period averaged 18 per cent for international posts and 11 per cent for local posts. The Advisory Committee was informed of the difficulties that the Mission experienced concerning emplacement and retention of staff; in addition, some staff had been deployed to new missions. The Committee notes that this situation has prevailed for some time and was reported in the context of the performance reports for the periods from 1 July 1997 to 30 June 1998, in which vacancy rates were 22 per cent for international staff and 11 per cent for local staff, and from 1 July 1996 to 30 June 1997, in which vacancy rates were 20 per cent for international staff and 18 per cent for local staff (see A/53/782, table 2, and A/52/790/Add.1, annex II.A). The Committee was informed that many of the vacant posts were in the administrative services of the Mission. **While not recommending any reduction in the estimates, the Committee recommends that an analysis be undertaken to determine the cause of the persistent high vacancies, the effect of continuing high vacancy rates on Mission operations, and possible solutions, including whether some of the posts in question could be abolished.**

7. Upon enquiry, the Advisory Committee was informed that 90 per cent of the Mission's procurement activities take place in the Mission area. Of items procured through Headquarters, the bulk comprises electronic data-processing, communications and vehicle requisitions. In this connection, the Committee sought additional clarification regarding procurement planning and vendor performance, about which the Board of Auditors commented in its report.[1] The Committee was informed that there had been planning for those items procured through Headquarters; however, the Committee was informed that local procurement depended largely on the allotments and procurement activities of the various units of the Mission. With regard to vendor evaluation, the Committee was informed that evaluations had been submitted to the Procurement Division at Headquarters, but that only two evaluations had been submitted as they were the only contracts, one for rations and the other for support services, that exceeded $200,000. Upon enquiry, the Committee was informed that, of the 10 posts in the Procurement Section of the Mission, one of the Professional posts had been vacant for a period of up to 12 months. **In view of the need to strengthen the procurement function in this Mission (as stated above, 90 per cent of procurement takes place in the Mission), the Committee urges that steps be taken to fill the post without further delay.**

8. As indicated in paragraph 12 of the report of the Secretary-General (A/54/709), the action to be taken by the General Assembly in connection with the financing of UNIKOM for the period from 1 July 1998 to 30 June 1999 is a decision on the treatment of the unencumbered balance of $2,182,900 gross ($1,931,900 net). **The Advisory Committee recommends that the unencumbered balance be credited to Member States, it being understood that**

two thirds of the amount would first be refunded to the Government of Kuwait.

Information on performance for the current period

9. The Advisory Committee was informed that, against the authorized staffing establishment of UNIKOM for the period 1 July 1999 to 30 June 2000 (908 military contingents, 195 military observers, 72 international staff and 166 local staff), the posts encumbered as at 31 January 2000 were 908 military contingents, 193 military observers, 53 international staff and 147 local staff.

10. The Advisory Committee was provided with expenditure data for the period from 1 July to 30 June 2000, as at 31 December 1999. Expenditure for the period amounted to $29,934,800 against an apportionment of $51,996,100.

Cost estimates for the period from 1 July 2000 to 30 June 2001

11. As indicated in paragraph 1 of the report of the Secretary-General (A/54/736), the cost of maintaining the Mission for the 12-month period from 1 July 2000 to 30 June 2001 is estimated at $49,818,000 gross ($47,823,000 net). Two thirds of this amount is to be funded through voluntary contributions from the Government of Kuwait. The proposed budget represents a 1.9 per cent decrease ($959,800) in gross terms in relation to the apportionment for the current period from 1 July 1999 to 30 June 2000. The decrease reflects a 0.7 per cent decrease in civilian personnel costs and a 7.7 per cent decrease in operational costs, which is partially offset by a 0.1 per cent increase in military personnel costs.

12. The Advisory Committee notes that in the table in section V of the report there are a number of voluntary contributions for which no value is given. Upon enquiry, the Committee was informed that those voluntary contributions were in respect of items that would otherwise have been budgeted. However, the Secretariat was unable to provide the Committee with values for the voluntary contributions. **In the opinion of the Committee, this is cause for concern as it indicates a failure to comply with the requirement for full-cost budgeting.**

13. The estimate provides for 195 military observers, 910 contingent troops, 72 international staff and 166 local staff. As indicated in paragraph 1 of annex I.C, the cost estimates for civilian staff are based on a 10 per cent vacancy factor in respect of both international and local staff. **The Advisory Committee notes, as indicated in paragraph 10 of annex I.C, that only nine posts (4 Professional and 5 Field Service) are currently encumbered by mission appointees. The Committee recommends greater recourse to this type of personnel to address the chronic vacancy situation of the Mission.**

14. Upon enquiry, the Advisory Committee was informed of the staffing as of 31 January 2000. Of the 195 military observers provided for, 193 were on board; of the 72 international posts, 53 were encumbered; and of the 166 local posts 147 were encumbered. Thus, as of 31 January 2000, the vacancy rates were 26 per cent for international staff and 11 per cent for local staff. Estimates for civilian personnel for the current period ending 30 June 2000 were also based on a 10 per cent vacancy factor. **The Committee reiterates its recommendation that the effect of these continuing high vacancy rates on operations should be studied** (see para. 6 above).

15. The Advisory Committee takes note of the decrease of $248,000 resulting from the new contract for rations for military contingents. Under the contract, the unit cost of rations is $4.65 per person per day, as compared with the unit cost of $5.50 per person per day estimated for the current financial period. The Committee was informed that it was the responsibility of the contractor, under the new contract, to provide all personnel and food items and to maintain the kitchen equipment provided by UNIKOM. Meals are provided to qualified personnel (troops) only, upon presentation of a valid identification card, which is "swiped" to record the meal in the computer system and to prevent multiple meals being taken by the same person. UNIKOM pays only for meals actually provided. The terms and conditions of the contract, as well as the computerized recording of services, ensure the effective management and supervision of the contract. **The Committee welcomes these arrangements and trusts that every effort will be made to extend their application to other missions.**

16. As noted in paragraph 17 of the report, reimbursement to two Governments for contingent-owned equipment provided to the Mission is based on

the old system of reimbursement of 10 per cent of its value per year. Negotiations are currently under way between the United Nations and one Government for reimbursement to be based on the new arrangements. Upon enquiry as to the basis for budgeting for self-sustainment in the absence of a memorandum of understanding, the Committee was informed that the provision for self-sustainment was estimated pending the finalization of the memorandum of understanding.

17. With regard to travel of staff, the Advisory Committee notes that, for the period ending 30 June 1999, an amount of $68,200 had been allotted, while only $47,800 had been spent. The Committee was informed that of the $88,900 apportioned for the period ending 30 June 2000, a total of $24,200 had been spent as of 31 December 1999. Upon request, the Committee was provided with information regarding the reasons for the low expenditure for the period ending 30 June 1999 and details concerning the activities that were postponed or cancelled and the reasons for such action (see annex).

18. **In the opinion of the Advisory Committee, the information provided regarding training programmes at UNIKOM is not transparent.** In view of the priority being accorded to training programmes in the 2000-2001 financial period, the Committee sought additional clarification of how estimates for training had been formulated. Only $15,000 had been requested, the same amount as was requested for the period ending 30 June 2000. For the period ending 30 June 1998, $40,000 had been incurred. From the information given by the representatives of the Secretary-General, the Committee concluded that the request for $15,000 was related neither to the number of individuals to be trained nor to the specific subjects foreseen for training. **Accordingly, the Committee recommends that a review be conducted of the methods for formulating costs and selecting trainees. The programme should be well planned to benefit the largest number of mission personnel, and all efforts should be made to avoid piecemeal training activities that might not, in the long run, be cost-effective.**

19. The Advisory Committee notes, as indicated in paragraph 29 of annex I.C, that the estimate of $70,000 for data-processing services relates to software licensing fees for finance, payroll, procurement and other commercial software applications. **In the view of the Committee, these costs should be presented in a more transparent manner and should include information on the criteria used to determine whether a purchase or lease arrangement is more suitable.**

20. The Advisory Committee was informed that the proposals for non-recurrent requirements of $108,800 for the replacement of worn/obsolete electronic data-processing equipment, as reflected in annex II.C of the report, had taken into account the acquisitions made in the financial period ending 30 June 2000 under the year 2000 compliance programme.

21. The action to be taken by the General Assembly in connection with the financing of UNIKOM for the period from 1 July 2000 to 30 June 2001 is indicated in paragraph 3 of the report (A/54/736). **The Advisory Committee recommends that the budget for UNIKOM for the 12-month period beginning 1 July 2000 be approved at $49,818,000 gross ($47,823,000 net), including the amount of $31,882,000 net, representing two thirds of the cost, to be funded though voluntary contributions from the Government of Kuwait.**

Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 5* (A/54/5), vol. II, chap. II, paras. 61 and 102.

Annex

Budgeted and actual expenditure on travel for the period from 1 July 1998 to 30 June 1999

Purpose of travel	*Estimate for budgeted travel (United States dollars)*	*Expenditure on actual travel (United States dollars)*
1. From Headquarters		
Mission assessment	7 200	9 800
Internal audit (3 auditors)	30 600	-[a]
Review of MSA (1 person from PMSS/FALD	-	5 500
Installation of one module of FACS	-	1 900
Internal audit travel (prior period charges)	-	1 700
2. From and within the mission area		
Force Commander and other officials (3 trips)	20 400	12 700
Aviation safety specialist (4 trips from UNIFIL)	6 000	600
Within-mission travel (4 persons)	4 000	8 200
Promotion of Field Service staff	-	4 600
Political consultations	-	2 800
Total	**68 200**[b]	**47 800**

[a] The only planned trip that was not undertaken was the travel of three auditors for an internal audit. During the period 1998-1999, the Office of Internal Oversight Services focused its audit activities on the question of the payment of mission subsistence allowance which required more than the amount of time originally allotted for the audit of UNIKOM in the mission area. Consequently, no audit was undertaken in the mission area during the same period.

[b] This estimate is less than the figure of $88,900 shown in attachment I of the supplementary information handout to the Advisory Committee on Administrative and Budgetary Questions and in annex I of the report of the Secretary-General (A/52/824) because the estimate of $88,900 was overstated (see cost breakdown in annex II.C of A/52/824).